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# Study of Capital Cost Accounting Practices at the Washington State Ferries

Presented to the Joint Transportation Committee

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JLARC Staff

# Who We Are & What We Do



- The Joint Legislative Audit & Review Committee (JLARC) oversees, reviews and evaluates state agencies.
- The Committee consists of 8 senators and 8 representatives equally divided between Democrats and Republicans.
- JLARC's authority is established in Chapter 44.28 RCW.

# Who We Are & What We Do



- JLARC nonpartisan professional staff independently conduct studies using Generally Accepted Government Auditing Standards.
- Studies are objective and independent.
- JLARC staff issue findings and recommendations and track implementation of the recommendations.

# JLARC Members



## Senators

Randy Gordon

Janéa Holmquist

Jeanne Kohl-Welles

Eric Oemig

Linda Evans Parlette, *Vice Chair*

Cheryl Pflug

Craig Pridemore

Joseph Zarelli

## Representatives

Gary Alexander, *Secretary*

Glenn Anderson

Kathy Haigh

Troy Kelley, *Chair*

Dan Kristiansen

Sharon Nelson

Dan Roach

Deb Wallace

# JLARC's Study Process



- Prior to public presentation by JLARC staff, agency is asked to do a “technical review.”
- Report is confidential until staff provide preliminary report to JLARC.
- Agency then submits a written response to the report that is included in the final report.
- Comments by JLARC members may only be added as a separate addendum.

# How Did JLARC Get This Study?



- Following January 2007 ferry finance study, Legislature mandated three JLARC studies:
  - 2007-09 transportation budget tasked JLARC to review state ferry cost accounting and life-cycle cost model
  - Third requirement to look at cost allocation included in 2007 ESHB 2358
- Three requirements combined and reporting date postponed to January 2011 in the 2009 transportation budget

# Issue 1: Capital Cost Accounting



Issue 1

- Are the costs assigned to capital accounts actually capital costs?
- Are the costs being recorded as either preservation or improvement costs properly categorized according to the requirements of state statutes?
- Are the costs authorized by the legislative appropriation?

# Issue 2: Life-Cycle Cost Model



Issue 2

- Have WSF personnel developed and implemented a life-cycle cost model as required by RCW 47.60.345?
- If a model has been implemented, are WSF personnel appropriately maintaining and updating it when asset inspections are made?

# Issue 3: Cost Allocation

Issue 3

- Have WSF personnel effectively implemented the cost allocation methodology required by ESHB 2358 (2007) and evaluated by JTC per the 2007-09 transportation budget?
- Specifically, have WSF personnel appropriately allocated costs consistent with the methodology, are internal controls sufficient to ensure proper allocation, and are staff adequately trained in the cost allocation methodology?

# Next Steps and Contact Information



Scope & Objectives: April 2010

Preliminary Report: January 2011

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